

# Minnesota Management & Budget and Department of Administration

## MAPS Policy and Procedures

Minnesota Management & Budget, Agency Assistance  
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### Payment Requests, Preparation, and Approval

#### Objective

To ensure payments are processed accurately and in an appropriate and timely manner.

#### Policy

Agencies shall comply with the procedures outlined below & develop their own internal policies to determine guidelines for processing payment requests. The policy shall address the following:

- Payments are made to vendors in a timely manner, in accordance with Minnesota Statute [16A.124](#).
- Payments are made to the correct vendor/recipient from the correct funding sources and fiscal year.
- The liability date (record date) is recorded accurately to ensure payments are recorded in the proper fiscal year and liabilities at year-end are accurately presented in the state's financial statements.
- Payments are entered in the appropriate system as required by [MAPS Operating Policy and Procedure 0702-01, Encumbrances in MAPS and Point of Entry](#).

Additionally, the policy shall provide for:

- Internal controls
- Risk mitigation procedures
- Supporting documentation retention

#### Procedures

##### Internal Controls

###### Internal and Compensating Controls

Agency management shall maintain a system of effective internal controls as they relate to financial activities. These controls shall be documented and periodically evaluated to ensure that they are adequately designed, properly implemented and functioning effective.

Small agencies and boards, which have limited staff, may compensate for a lack in the separation of duties by establishing a review and approval process external to MAPS. Staffing limitations may prevent an agency from adequately separating incompatible functions. In those instances, compensating controls such as independent reviews must be established. Examples of independent reviews include but are not limited to: electronic and/or manual approvals from authorized individuals, periodic reviews of detail expenditure or revenue reports or reconciliations.

Additional information regarding the establishment of an effective internal control system is contained in the [MAPS Operating Policy and Procedure 0102-01, Internal Control](#).

###### Separation of Duties

Agencies shall separate the functional duties of their employees to provide appropriate control in the processing of transactions in MAPS.

- In those instances where separation is not feasible, e.g. a small agency or board with limited employees, compensating controls such as independent reviews must be established.

### **Propriety of Payments**

Agency management shall formally authorize an employee or employees to review and approve every invoice prior to processing. The Agency review and approval:

- Certifies that the goods were received in good condition, that services were properly rendered, and the request has not been previously paid;
- Charges the payment to the proper accounts and fiscal year;
- Certifies that the approved payment is for the vendor that the state is obligated to pay; and
- Documents any unusual circumstances, such as paying an amount different than indicated on the purchase order. This documentation can be noted directly on the invoice or on a separate document that must be attached and filed with the original invoice.

### **Documentation**

Agencies shall establish a procedure to ensure that original payment documents, and any accompanying documentation, are retained in accordance with the agency's records retention schedule. This procedure shall include:

- Requirements that payments will only be issued for:
  - Original invoices, including electronic invoices;
  - A fax or other copy of an invoice with signed/initialed notation indicating why original invoice is not available and verification that the invoice has not previously been paid;
  - Account summary, payment request, statement, folio, etc., where these documents are customarily regarded as the original invoice; or
  - Assessment letter from another governmental entity
- Documented authorization indicating payment approval;
- Once payment has been processed, the MAPS voucher number, date of payment and scheduled pay date are recorded on the invoice (or accompanying documentation such as a screen print of the payment screen).
- All payment documentation is maintained in a filing system such that when audited, documentation is easily accessed.

**Exception:** An invoice is not required for monthly rental payments if the vendor does not ordinarily send invoices. Payment is due in accordance with the agreement or contract with the vendor.

**NOTE:** In instances where software is received via an online download, approval of the invoice indicates acceptance of the software (typically this occurs through an online license agreement; a printed copy of the license agreement will be kept with other software license agreements and documentation signifying that the state has paid for the use of the software).

### **System Controls in MAPS to Assist Agencies to Ensure Accurate Payments**

#### **Encumbrances**

Where applicable (refer to [MAPS Policy and Procedure, Encumbrances and Point of Entry](#)), agencies shall encumber funds to a specific vendor number once the agency determines that there will be an obligation of the state. Encumbering to a specific vendor ensures compliance with Minnesota Statute [16A.15](#) and decreases opportunity for input errors while entering payments.

#### **Duplicate Payment Prevention**

- In MAPS Procurement, a unique vendor invoice must be entered for each payment. If multiple payments are made from a single purchase order, users should review the invoices previously paid to ensure that they are not making a duplicate payment.
- In MAPS Accounting, a warning message is displayed if a user enters an invoice/vendor combination that has already been entered. Users should review any warnings and determine if they are making a duplicate payment by referring to the Open Invoice Header Inquiry (OVIH) table.

#### **Vendor Verification**

When entering payments, the vendor's name and address are displayed once the document is edited. Users are required to verify the accuracy of the vendor's name and address prior to approving the document for payment. This information is displayed on the following screens:

- MAPS Procurement (AGPS) – Receipt/Invoice/Payment Payments (OPAY) screen
- MAPS Procurement (CFMS) – Contract Invoice/Payment (KINV) screen
- MAPS Accounting – Vendor Payment (P1) document header

### Electronic Approvals

Beginning October 11, 2007, agencies shall establish an approval process for all payments processed through MAPS Accounting. Vendor payments of \$100,000 or greater shall require an online approval in MAPS to process. Agencies may set a more restrictive limit by contacting MAPS Accounting.

- When establishing approvals, agencies shall consider possible ramifications to their prompt payment ability by authorizing a sufficient number of employees to approve payments.
- CITA and IWP payments are exempt. Agencies using CITA and the IWP process shall establish controls to ensure the accuracy of payments within the subsystem processing the payments.

## Payment Processing

### MAPS Point of Entry

Agencies shall enter payments in MAPS according to the MAPS Point of Entry reference guide. As an additional control feature, agencies shall encumber funds prior to an obligation of the state. The following are exceptions to the encumbrance requirement:

- Payments originating in an agency sub-system and processed through MAPS using either the Interface Warrant Process (IWP) or Common Inbound Transaction Architecture (CITA). These processes do not liquidate encumbrances. Agencies choosing to encumber these amounts must manually decrease the encumbrances for payments. NOTE: To comply with [M.S. 16C.046](#), agencies must work with the Department of Administration's Materials Management Division to develop a method to supply MMD with information regarding IWP and CITA payments.
- Imprest Cash payments, including the establishment and reimbursement of accounts and increases to accounts.
- Payments of Revenue Refunds.
- Employee business expenses, advances, and relocations expenses paid to any employee through SEMA4. Agencies choosing to encumber these amounts must manually decrease the encumbrances for payments.
- Payments for Object Class 1E0 paid to an employee through SEMA4. Agencies choosing to encumber these amounts must manually decrease the encumbrances for payments.
- Expenses such as Agency Indirect Costs, Statewide Indirect Costs, or Attorney General Costs.
- Interest paid to vendors on late payments.
- Formula Grant payments authorized by Statute or Session Law to units of local government or payments made under laws providing for assistance to individuals. To comply with [M.S. 16C.046](#), all other grant payments shall be encumbered in MAPS Procurement (AGPS or CFMS, as appropriate).

### Payment Tolerances

MAPS Procurement (AGPS) establishes the tolerance levels that are allowed to exceed the original purchase order amount on a payment by document type. As a general rule for **non-blanket order** types, the tolerance is set at the order line level and limited to the smaller amount of 50% or \$1,500. Agencies may set more restrictive tolerances for each six-digit agency in MAPS Procurement. For **blanket type orders**, no tolerance is allowed. The purchase order must be increased or a new order established to cover the overage. See the Propriety of Payments paragraph of this policy requiring documentation when processing payment amounts that differ from the purchase order.

Please refer to the Department of Administration's Most Common Document Types guide to determine which documents permit tolerances. This document can be found at:

<http://www.mmd.admin.state.mn.us/maps/pdf/MostCommonMAPSDocTypes.pdf>.

### Prepayments

Agencies shall not authorize a payment to be made unless the service has been performed, the goods or materials received, or the monthly telephone service was in effect, in accordance with Minnesota Statute [16A.41](#). Minnesota Statute [16A.065](#) authorizes prepayments for the following:

- Software and software maintenance services;
- Sole source maintenance agreements where it is not cost-effective to pay in arrears;
- Exhibit booth space or boat slip rental to guarantee availability of space;
- Registration fees when advance payment is required or when an advance payment discount is offered;
- Newspaper, magazine and other subscription fees customarily paid in advance; and,
- Items purchased from the Library of Congress or Supervisor of Documents.

#### **MMB Prepayment Policy Guidelines:**

- Space rental - pay according to agreement/contract terms and conditions.
- Airline tickets - standard practice is to pay for airline tickets when the reservation is made.
- Hotel rooms – it is acceptable to pay for the first night's lodging to reserve the room.
- Licenses – these will be approved on a case-by-case bases by the Director of Agency Support
- Prepayments funded from one fiscal year for a service period that crosses fiscal years is limited to:
  - \$10,000 for computer maintenance and licenses
  - \$1,000 for all other services

#### **Revenue Refunds**

Refunds of revenue are processed in MAPS Accounting using a payment voucher document and referencing a revenue source. Revenue refunds are exempt from the encumbrance requirement. However, payment of refunds shall be subject to the same approval process as all other payments.

#### **Retainage**

Under Minnesota Statute [16C.08, Subd. 5\(b\)](#), no more than 90% of the compensation due under a contract may be paid until the final product has been reviewed by the agency head. The balance due will be paid when the agency head determines that the Contractor has satisfactorily fulfilled all the terms of the contract. Note: A retainage clause is not required for professional services as defined in Minnesota Statutes [326.02 to 326.15](#).

#### **Vendor Payments in Accounting**

Agencies shall only use the P1 document type when making vendor payments in MAPS Accounting. Accounting directors or managers will be notified when a vendor payment is made using the PV document type. Agencies shall take corrective action (additional instruction or training) to prevent this activity from occurring.

Exception: CITA vendor payments are exempted from this requirement.

#### **Payment Scheduling**

Minnesota Statute [16A.124](#) requires that the state agencies promptly pay their vendors, and shall not exceed 30 days (from the date goods or services were received, or the invoice was received, whichever is later) without the possibility of incurring interest charges. Agencies shall make every attempt to schedule payments to meet the invoice or statement due date in accordance with the purchase contract terms and to take advantage of any early payment discounts. Additional information regarding payment processing and scheduling can be found in the MAPS Expenditure Accounting Training Manual.

#### **Disbursements**

Minnesota Management & Budget is responsible for the disbursement of payments entered in MAPS using either direct entry, CITA or IWP. Warrants or electronic funds transfers (EFT) are generated each business day, based on the scheduled pay date entered for the payment or when the IWP file is processed.

- Agencies shall maintain current information in MAPS regarding a contact point and phone number for all payments. This information is found on the Location (LOCA) table in MAPS Accounting and should be reviewed annually and as staffing and job responsibilities change.

#### **Special Handling**

Agencies may request special handling of warrants online through the Payment Voucher

Scheduling (SCHD) table in MAPS Accounting. [MAPS Operating Policy and Procedure 0803-02 Warrant Special Handling Request](#) governs the following available options.

- Warrant with Enclosure (WE) – Agencies who need to mail enclosures with warrants may indicate this on the payment or on the SCHD table and send the enclosures to the MMB for mailing.
- Pull Warrant (PW) – Agencies who need to present the physical check to the vendor may also indicate this on the payment or on the SCHD table.

Additionally, the following option is available:

- Single Warrant – MAPS automatically groups payments to the same vendor on a warrant or EFT. Agencies who need to send a separate warrant may indicate this on the SCHD table.

The above options are available for both warrants and EFTs. However, agencies should take notice that vendors who participate in the EFT program expect their payments to be made by EFT and generating a warrant may cause the vendor to delay applying the payment to the appropriate account.

## Data Privacy

Unless otherwise noted in statute, payment information in MAPS is public data. Users shall **not** enter an individual's Social Security Number or credit card numbers in the Vendor Invoice field for any reason.

Examples of data users should refrain using in this field include but are not limited to:

- An individual's name – first, last, or any combination
  - For example, a payment from a health or assistance-related appropriation
- Health-related information
  - For example, the name of a health procedure

## Risk Mitigation

Minnesota Management & Budget and the Department of Administration acknowledge that errors can and will occur with any automated system. To further reduce the possibility of a payment reaching the wrong vendor, or the wrong amount paid to the correct vendor, the report, Unencumbered Payments, is available in the IA Warehouse. This report lists unencumbered payments made the previous business day, for amounts between \$25,000 and \$100,000. Effective October 1, 2007, agencies shall print and review this report on a daily basis. The reviewer, attesting to the validity of the payments made, shall sign the signature page for payments meeting the \$25,000 to \$100,000 threshold. The signature page shall be retained according to the agency's records retention schedule.

## References

[MAPS Operating Policy and Procedure 0701-01 Prompt Payment Processing](#)  
[MAPS Operating Policy and Procedure 0702-01 Encumbrances in MAPS and Point of Entry](#)  
[MAPS Operating Policy and Procedure 0901-01 Record Dates in MAPS](#)  
[MAPS Training - Expenditures in MAPS Accounting](#)  
[MAPS Payment Processing Guidelines](#)